

D.T.E. 99-60 - Fitchburg Gas and Electric Light Company d/b/a Until (“Unitil”)

Default Service Bid Evaluation Report

REDACTED VERSION

File Date: April 22, 2004

Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”)
Electric Default Service Bid Evaluation Report

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Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) Electric Default Service Bid Evaluation Report

Introduction

On Friday, March 19, 2004, Unitil announced that its Request for Proposals (“RFP”) for default service for the period beginning June 1, 2004 was available. The RFP sought bids for 100 percent of default service requirements for Unitil’s Large Customer Group for the period of June 1, 2004 through August 31, 2004, and for 50 percent of default service requirements for Unitil’s Small Customer Group for the period of June 1, 2004 through May 31, 2005. Whereas the 12-month period for the Small Customer Group extends beyond the end of the Standard Offer period in Massachusetts, Unitil decided to separately evaluate and award bids for the 9-month period prior to the end of the Standard Offer period (June 1, 2004 through February 28, 2005) and for the 3-month period following the end of the Standard Offer period (March 1, 2005 through May 31, 2005). The RFP sought bids that did not include Renewable Energy Certificates (“RECs”) for compliance with Renewable Portfolio Standards (“RPS”); rather Unitil intends to procure the RECs required for RPS compliance independent of its default service procurements.

This bid evaluation report describes Unitil’s solicitation process, including the manner in which Unitil addressed legislative risk associated with the end of the Standard Offer period, its selection of the winning bidder(s), and the manner in which Unitil intends to comply with the RPS obligations associated with its default service loads. Locational ICAP was not a significant concern given Unitil’s location, which is entirely located in the West Central Massachusetts load zone where the implementation of the location ICAP market is not expected to have a material impact on the cost of capacity. A copy of the RFP is attached as Tab A. Unitil’s comparison of bids, which is confidential and for

which Unitil seeks protective treatment as described in the cover letter and motion for protective treatment accompanying this filing, is attached as Tab B. Broker sheets which report on the current market for Massachusetts Renewable Energy Certificates (“Mass RECs”) are attached as Tab C. Finally, the proposed contract language and revised final bid form provided by Unitil to bidders during the solicitation process in order to address the concerns regarding legislative risk associated with the end of the Standard Offer period is attached as Tab D.

Solicitation Process

Unitil accomplished market notification of the RFP by announcing the availability of the RFP electronically to all participants in NEPOOL, in particular, to the members of the NEPOOL Markets Committee on Friday, March 19, 2004. In addition, Unitil distributed the RFP to a list of energy companies who have previously expressed interest in receiving copies of Unitil’s solicitations. The RFP package was ultimately disseminated electronically to 37 individuals representing 25 separate energy companies, which count does not include other distribution companies, consultants (unless working on behalf of a named client who might participate), brokers or members of public agencies. A copy of the RFP and its attachments is attached as Tab A.

The RFP sought fixed monthly pricing for two groups of customers: Residential and Small C&I customers (“Small Customer Group”) and Medium and Large C&I customers (“Large Customer Group”). In accordance with the Department’s rules established in DTE 02-40-B with regard to procurement schedules, Unitil sought bids for 50% of the service requirements for the Small Customer Group from June 1, 2004 through May 31, 2005. In accordance with the Department’s rules established in DTE 02-40-C with

regard to procurement schedules, Unitil sought bids for 100% of service requirements for the Large Customer Group¹ for the period June 1, 2004 through August 31, 2004.

The procurement for the Small Customer Group encompasses the end of the Standard Offer period, which ends February 28, 2005. Under the current regulatory scheme, Unitil anticipates that its remaining Standard Offer Service (“SOS”) customers will be re-classified to default service beginning March 1, 2005. In order to highlight the significant difference in default service loads that are expected to be served before and after the end of the Standard Offer period, to allow for the most flexible supplier bid responses, and to simplify the evaluation process by reducing reliance on sales forecasts, Unitil structured the RFP to separately evaluate and award bids for the nine months of June 2004 through February 2005, and for the 3 months of March 2005 through May 2005. This approach was communicated to the Department in writing on March 9, 2004.

The RFP described the particulars of Unitil’s default service, the related customer-switching rules, and the form of power service sought. In order to gain the greatest level of market interest in supplying the load, Unitil endeavored to provide potential bidders with appropriate and accessible information as well as flexibility with regard to contracting options. Along with the RFP, Unitil provided potential bidders with historic hourly loads for Unitil’s Small Customer Group Default Service, Small Customer SOS, and Large Customer Group Default Service from January 1, 2002 through March 15, 2004. This hourly load data was updated on April 7, 2004, for data through April 3, 2004. Unitil also compiled into an Excel spreadsheet its historic DOER 110 reports from January 2000 through February 2004. The DOER 110 report details by customer rate class the number of customers and monthly retail billed kWh sales delivered to customers receiving SOS, default service and competitive generation supply. In order to communicate to bidders the relative concentration of the Large Customer Group, Unitil

¹ On October 1, 2003, FG&E received acknowledgement from the Department that continued use of its two customer groups, as originally approved by the Department on September 1, 2000 pursuant to DTE 99-60-B, was in compliance with the directives of DTE 02-40-C.

provided a listing of its 25 largest customers, labeled generically, showing each customer's annual peak and energy requirements, their approximate monthly meter read date and their current source power supply (SOS, default service or competitive generation). Unitil also provided information instructing potential bidders in accessing class average load shape (8760 hours) data on Unitil's website. Unitil provided estimated monthly loads for each customer group over the term of the period for which service was sought. Unitil used these estimated monthly loads to evaluate and weight competing bids for each customer group in terms of price. In order to provide potential bidders with contracting flexibility, Unitil included a proposed Default Service Power Contract, along with a proposed EEI Master Agreement Cover Sheet and Transaction Confirmation Letter along with the RFP. Additionally, Unitil included a copy of its Default Service tariff, effective as of the date of the solicitation.

Throughout the solicitation, Unitil responded to bidder questions and actively participated in maintaining bidder interest in the solicitation through regular telephonic and electronic communications.

On Thursday, April 8, 2004, Unitil received proposals from several different bidders that included detailed background information on the bidding entity, initial pricing and proposed contractual terms. A majority of these bidders submitted indicative bids to serve both customer groups and no bids were contingent upon the bidder winning both customer groups. Unitil then proceeded to review the proposals and work with the bidders to establish and evaluate their creditworthiness, their extension of adequate credit to Unitil to facilitate the transaction, their capability of performing the terms of the Default Service in a reliable manner, and their willingness to enter into contract terms acceptable to Unitil. All bidders were invited to submit final bids.

In order to pro-actively address potential concerns regarding the possible inclusion of a risk premium associated with legislative or regulatory risk related to the end of the

Standard Offer period on February 28, 2005, and the expected subsequent reclassification of all remaining SOS customers to Default Service on March 1, 2005, Unitil provided all parties who submitted bids to serve the Small Customer Group load during the period of March 1, 2005, through May 31, 2005, with contract language providing protection from such legislative or regulatory risk. A revised final bid form, including a note highlighting the contract language and Unitil's expectation that final bids should not include any premium associated with such legislative risk, was also provided. Verbal contact was made with each bidder and the proposed language and revised final bid form were discussed. A copy of the proposed contract language and revised final bid form are attached to this report in Tab D. Unitil's final contract for the portion of default service supply procured for the March 2005 through May 2005 period is consistent with the language proposed by Unitil.

On Friday April 16, 2004, Unitil received final pricing from all but one bidder who participated in the indicative round and conducted its evaluation. One final bid to serve the Small Customer Group contained a contingency requiring the bidder to be awarded either the first nine months or the entire twelve months, but not the last three months (Mar-05 through May-05) only. None of the final bids were contingent upon a bidder winning both customer groups. Unitil selected its winning bidder(s) and all other bidders were notified that they were not selected.

Selection of Winning Bidder(s)

Unitil based its selection of winning bidders on both quantitative and qualitative criteria. As mentioned, the RFP requested fixed prices by month for two groups of customers: a Small Customer Group, comprised of residential and small C&I customers, and a Large Customer Group, comprised of medium and large C&I customers. Accordingly, the bidders had the option of bidding differentiated pricing for each customer group for each month of the respective periods during which service was sought. Pricing for three

service periods were sought: (1) 50 percent of Small Customer Group requirements for the period June 1, 2004 through February 28, 2005; (2) 50 percent of Small Customer Group requirements for the period March 1, 2005 through May 31, 2005; and (3) 100 percent of Large Customer Group requirements for the period June 1, 2004 through August 31, 2004.

When the indicative bids were received, Unitil compared the proposed pricing strips by calculating weighted average prices for each customer group for the periods during which service was sought, using the evaluation loads that were issued to bidders along with the RFP. Unitil coordinated with bidders to identify contractual and credit issues and to establish confidence in each bidder's ability to perform. When final bids were received, they were again ranked in terms of price, for each customer group and service period sought separately, using the evaluation loads as described above.

In a filing also submitted to the Department today under separate cover, Unitil is seeking the inclusion in retail rates of its full cost of default service supply for the period of June 1, 2004 through November 30, 2004 for the Small Customer Group. It should be noted that Unitil's bid comparison was based on service as sought – for 50 percent of service for the period of June 1, 2004 through February 28, 2005 and for 50 percent of service for the period of March 1, 2005 through May 31, 2005. For the Small Customer Group, for the period of December 1, 2004 through May 31, 2005, another 50 percent of the supply requirements remain for a future solicitation. Although Unitil is not currently seeking the inclusion in retail rates of its default service supply costs for the period of December 1, 2004 through May 31, 2005 for the Small Customer Group, Unitil submits that it has complied with the Department's procedures for the provision and pricing for the 50 percent of Default Service solicited for this period and anticipates that future recovery of these costs will be granted.

When final bids were received, Unitil compiled the weighted average pricing strips for each customer group and each service period sought, again using the evaluation loads that were issued to bidders along with the RFP. Unitil then evaluated the price and non-price aspects of the final bids received and awarded its default service loads for each customer group and service period sought. The pricing comparison and overall evaluation performed by Unitil, which is confidential, is attached as Tab B.

Compliance with Renewable Portfolio Standards (“RPS”)

Consistent with its recent practices, Unitil did not request that interested suppliers include along with their Default Service bids the provision of Renewable Energy Certificates (“RECs”) that would comply with the Massachusetts Renewable Energy Portfolio Standards (“RPS”) that became effective on January 1, 2003. Unitil recognizes its obligation as the retail supplier of Default Service to its customers to provide RECs in compliance with 225 CMR 14.00. Unitil intends to purchase qualifying RECs directly from the market or under a process that is separate from its Default Service solicitations. In compliance with DTE 02-40-B, a discussion of Unitil’s approach to meeting its RPS obligations follows.

A number of factors come into play with regard to Unitil’s current approach to RECs compliance for its Default Service loads. Unitil believes that the market for Massachusetts qualifying RECs is currently illiquid, and that by the time Unitil is required to demonstrate compliance opportunities may arise to purchase RECs either from facilities that are not currently registered as qualifying Massachusetts new renewable facilities or from entities who come to have excess RECs after meeting their obligations. Unitil also expects that it may be able to receive more favorable RECs pricing if the periods for which RECs are sought are flexible. Unitil’s ability as a load serving entity to bank RECs in its New England Generation Information System (“NE-GIS”) account is expected to allow Unitil to utilize the RECs it acquires efficiently, rather

than requiring pricing based on a specific delivery period. Whereas Unitil is also responsible for providing RPS compliance of its Standard Offer Service (“SOS”) loads, Unitil expects that combining the volumes of service under its SOS and its two Default Service customer groups would yield better pricing opportunities in the market.

Unitil considers that interested bidders in its Default Service solicitations are not necessarily the parties that hold title to RECs. Similarly, it is likely that some holders of RECs do not have the bulk power supply presence to compete for and win a Default Service solicitation. Meanwhile, nothing would prohibit a bulk power supplier from participating in a RECs only solicitation or brokered transaction. While there are secondary markets for RECs, they are not very liquid. Unitil prefers to go to these markets directly rather than risk incurring mark ups which might accompany bids from Default Service suppliers who are simply remarketing the RECs.

Unitil believes it will be administratively more efficient to purchase and deliver RECs to its New England Generation Information System (“NE-GIS”) account independent of its Default Service procurement schedule since it expects to have seven different Default Service suppliers each year.² Additionally, since Unitil’s Default Service schedule does not fall on a quarterly basis, as does the schedule for demonstrating RPS compliance, additional administrative requirements result. Although administrative costs have not yet been established with regard to Default Service pricing, Unitil recognizes such inefficiencies as real costs to its customers.

Unitil’s approach with regard to establishing the cost of RPS compliance in its current retail rates for Default Service, as described in a filing under separate cover today, is to assume an estimated cost of compliance. Unitil’s expected cost of RPS compliance is \$45 per REC. In establishing this value, Unitil recognizes that the 2004 Alternative

² The seven Default Service suppliers would be the suppliers of Default Service as follows: (1) Large Customer Group from Jan-Feb, (2) Large Customer Group from Mar-May, (3) Large Customer Group from

Compliance Price (“ACP”) for RPS is \$51.41 per REC. The \$45 estimate reflects the most recent trades of 2004 RECs as reflected on broker sheets by two separate brokers of Massachusetts RECs. One broker sheet indicates a standing bid of \$42 and a standing offer of \$50; the other indicates a standing bid of \$43 and a standing offer of \$48. Unitil believes there is a reasonable expectation that its eventual costs will approximate that value. The broker sheets are attached as Tab C.

Jun-Aug, (4) Large Customer Group from Sep-Nov, (5) Large Customer Group for Dec, Small Customer Group for Jan-Nov, (7) Small Customer Group for Jun-Dec.

Tab A. FG&E d/b/a Unutil Default Service RFP

Fitchburg Gas and Electric Light Company d/b/a Unitil

Default Service Request for Proposals

Service Periods:

Small Customer Group: (1) June 1, 2004 – February 28, 2005

(2) March 1, 2005 – May 31, 2005

Large Customer Group: June 1, 2004 – August 31, 2004

Issued: March 19, 2004

Fitchburg Gas and Electric Light Company d/b/a/ Unitil ("Unitil")

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Appendix A: Proposal Submission Form

Appendix B: EEI Transaction Confirmation Letter

Appendix C: Default Service Power Contract

Appendix D: Proposed EEI Master Agreement Cover Sheet

Appendix E: Current Default Service Tariff, Effective 3 -01-2004

**Request for Proposals
To Provide
Default Service
To Customers of
Fitchburg Gas and Electric Light Company d/b/a Unitil**

I. Introduction

The Massachusetts Electric Industry Restructuring Act of 1997 (“Massachusetts Act”) provided for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers. The Massachusetts Act provided access for all retail customers of Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) as of March 1, 1998. The Massachusetts Act requires each distribution company to provide default service to those customers who are not receiving generation service as part of the standard offer service option or from a competitive supplier (“Default Service”). The standard offer period in Massachusetts ends on February 28, 2005. Absent further legislative or regulatory action, all customers receiving standard offer service at the end of the standard offer period will begin receiving Default Service on March 1, 2005 .

The Massachusetts Act requires Default Service to be competitively procured. In addition, the Massachusetts Department of Telecommunications and Energy (“DTE”) conducted a proceeding on rules and procedures for the provision of and pricing of Default Service in which DTE ordered all electric companies in Massachusetts to procure Default Service through competitive solicitations by customer group and to procure such power at fixed monthly prices¹. For Unitil, two customer groups have been established. One group contains residential and small commercial and industrial (“C&I”) customers (“Small Customer Group”), the other group contains medium and large C&I customers (“Large Customer Group”).

DTE has more recently addressed rules and procedures for the provision and pricing of Default Service in which it has clarified procurement rules with regard to Standard Market Design (“SMD”) and modified the procurement schedule². Since Unitil’s customers are located in a single SMD load zone, the SMD clarification does not impact this RFP. The current procurement schedules require electric distribution companies to procure power for their residential and small C&I Default Service customers on a staggered basis whereby 50% of supply requirements are procured semi-annually for a twelve-month period. For medium and large C&I Default Service customers, electric distribution companies are required to procure 100% of supply requirements every three months.

¹ See Dockets D.T.E. 99-60-A and D.T.E. 99-60-B.

² See Dockets D.T.E. 02-40-A, D.T.E. 02-40-B and D.T.E. 02-40-C.

Unitil has issued this RFP to solicit competing power supply offers to supply firm, load-following power to meet the requirements of its Default Service customers as follows. The supply sought for Unitil's Small Customer Group will cover 50% of the Small Customer Group Default Service load for the 12-month period of June 1, 2004 through May 31, 2005. This 12-month period bridges the end of the standard offer period. To highlight this for bidders and to provide for additional procurement flexibility, Unitil will separately evaluate and award the 9-month period of June 1, 2004 through February 28, 2005 and the 3-month period of March 1, 2005 through May 31, 2005. The supply sought for Unitil's Large Customer Group will cover 100% of the Large Customer Group Default Service load from June 1, 2004 through August 31, 2004.

Unitil will solicit Renewable Energy Certificates ("RECs") required for compliance with Renewable Portfolio Standard ("RPS") regulations under a separate process. As such, there are no requirements to provide RECs associated with the service sought herein.

This RFP provides background information and historical data, details the service requirements and commercial terms, and elaborates on the procedures to be employed by Unitil to select the winning supplier(s). The appendices to this RFP and related data files have been included as separate electronic files along with this document in a compressed electronic file ("FG&E dba Unitil Default RFP.zip"). The contents of each file are described in this document. Please contact Rob Furino at (603) 773-6452 with any questions regarding these materials.

II. Description of Default Service

Unitil is soliciting load-following power supply offers to meet the needs of its ultimate customers who are taking service under its Default Service tariff³. As described in the tariff, Default Service is provided to retail customers who are not otherwise eligible for standard offer service and are not taking service from a competitive supplier. Default Service can be initiated by: (a) a customer notifying Unitil that they wish to terminate service from their competitive supplier and commence Default Service; (b) a competitive supplier notifying Unitil that it is terminating service to a customer; (c) a competitive supplier ceasing to provide service to a customer without notifying Unitil; or (d) a customer moving into Unitil's service territory after March 1, 1998, who has not affirmatively chosen a competitive supplier and is not otherwise eligible for standard offer service.

For the purpose of this solicitation, Unitil has established two Default Service customer groups, comprised of the customer rate classes shown in the following table. Bidding power suppliers ("Respondents") may submit bids to provide service to either or both customer groups. Bids to supply each customer group, however, will be evaluated and

³ A copy of Unitil's current Default Service tariff, effective March 1, 2004, is attached as Appendix E, see file "App E - DS Tariff.pdf".

awarded separately. The loads associated with the two customer groups are modeled in the NEPOOL market system as load asset 1737 and load asset 1095.

Customer Group	Load Asset #	Customer Rate Class
Small Customer Group	1737	RD-1, RD-2, GD-1
Large Customer Group	1095	GD-2, GD-3, GD-4, GD-5 and SD

The standard offer period in Massachusetts ends on February 28, 2005. Unitil customers as of March 1, 1998 are eligible to receive standard offer supply service throughout the standard offer period or until they select a competitive retail power supplier (“Standard Offer Service”). Once a standard offer customer takes supply from a retail supplier, the customer is no longer eligible to receive standard offer supply service. Wholesale supply for Standard Offer Service was procured under a long term contract that expires on February 28, 2005 upon the end of the standard offer period. Beginning on March 1, 2005 all customers remaining on Standard Offer Service will begin receiving Default Service, which will increase the Default Service supply requirements. In recognition of this, Unitil has decided to separately evaluate bids to supply Small Customer Group Default Service for the 9-month period prior to March 1, 2005 and for the 3-month period following March 1, 2005.

The amount of Default Service to be supplied by the winning bidder(s) will be determined in accordance with the retail load associated with those customers who from time to time rely on Default Service. Unitil cannot predict the number of customers that will rely on Default Service, how much load will be represented by these customers, or how long they will continue to take Default Service. Unitil expressly reserves the right to encourage customers to choose their own supplier from the competitive marketplace instead of taking Default Service.

Data Provided

To assist Respondents in determining the potential load requirements, a variety of data has been provided with this RFP. Such data include the following.

- ? Historic Hourly Loads are provided for Unitil’s Small Customer Group Default Service, Small Customer Group Standard Offer Service and Large Customer Group Default Service for the period January 1, 2002 through March 15, 2004. The Standard Offer Service data will be helpful in assessing the expected increase in Default Service requirements beginning in March 2005 when Standard Offer Service customers get assigned to Default Service (please see file “Hourly Loads.xls”).
- ? Historic Retail Monthly Sales data from DOER 110 reports filed by Unitil from April 1999 through February 2004 have been compiled and provided in Excel format. The DOER 110 report details by customer rate class the number of customers and monthly

retail billed kWh sales delivered to customers receiving Standard Offer Service, Default Service⁴ and generation service from competitive retail suppliers (please see file “DOER 110 Reports.xls”).

- ? Class Average Load Shapes (8760 hours) are available on Unitil’s website at <http://services.Unitil.com/fge/loadshapes.asp>.
- ? Distribution System Loss Factors are as shown in the following table. Please note that the quantity of supply sought via this RFP includes distribution losses internal to Unitil’s system and will be purchased by Unitil from the winning bidder(s). Distribution losses are embedded in the historical data provided and should not be netted to determine supply requirements and billing determinants separately.

Rate Class	Distribution Loss Factor
RD-1, RD-2, RD-4	7.52%
GD-1, GD-2, GD-4, GD-5, GD-6	7.72%
GD-3	4.48%
SD	6.71%

- ? Large Customer Concentration is demonstrated by a listing of the annual energy and demand requirements of Unitil’s largest 25 customers. This listing also indicates the current supply type (Standard Offer Service, Default Service or competitive generation) for each customer (please see file “Large Customers.xls”).
- ? Evaluation Loads that Unitil will use to calculate weighted average prices of bids received from Respondents for the purpose of comparing competing bids on the basis of price are provided. These estimated loads may be instructive to Respondents, but should in no way be construed to represent any contract quantity or billing determinant or to create any obligation to any party (please see file “Evaluation Loads.xls”).

III. General Provisions

Terms and Conditions

Unitil will separately award the following three Default Service loads to one or more winning bidders:

⁴ In accordance with DTE rules, Unitil provides its Default Service customers with a variable pricing or fixed pricing retail rate option. The power supply sought in this RFP will be used to serve Default Service customers regardless of the retail rate options (variable or fixed) they choose.

- (1) Small Customer Group – 50% of service requirements from June 1, 2004 through February 28, 2005.
- (2) Small Customer Group – 50% of service requirements from March 1, 2005 through May 31, 2005.
- (3) Large Customer Group – 100% of service requirements from June 1, 2004 through August 31, 2004.

Winning bidders will provide Default Service as described in this RFP. Unitil is offering two options for establishing contractual terms and conditions for the provision of Default Service as sought herein. Respondents may choose either to enter into an EEI Master Agreement with Unitil and execute the transaction confirmation letter (“EEI Confirm”) contained in Appendix B (see file “App B – EEI Confirm.doc”), or to execute the Default Service Power Contract (“DS Contract”) contained in Appendix C (see file “App C – DS Contract.doc”). The winning bidder(s) will be required to execute either the EEI Master Agreement and EEI Confirm or the DS Contract within three (3) business days of being notified it was selected as the winner. For new EEI Agreements, Unitil intends to enter into only unilateral, or one-way, agreements by re-defining the term “Transaction” to mean sales by Seller and purchases by Unitil of a Product pursuant to the Master Agreement. For Respondents who do not have an existing Master Agreement with Unitil, a copy of Unitil’s proposed EEI Cover Sheet is attached as Appendix D (see file “App D – EEI Cover Sheet.doc”).

The obligations of Unitil and the winning bidder under the EEI Confirm or the DS Contract are subject to and conditioned upon the Massachusetts DTE’s approval of the retail rates derived from the transaction sought in this solicitation. Unitil will use its best efforts to obtain Massachusetts DTE’s approval.

Proposal Process and Submission Date

The following table outlines key dates associated with this procurement process.

Item	Date
RFP Issued	Fri, 3/19/04
Proposal Submission Forms Due	Thu, 4/8/04 – 12pm EPT
Final Pricing Due	Fri, 4/16/04 – 10am EPT
Winning Supplier(s) Notified	Fri, 4/16/04 – 1pm EPT
Contract(s) Executed	Wed, 4/21/04
Unitil files for DTE Approval of Rates	Thu, 4/22/04
Commence Delivery	Tue, 6/1/04

Respondents to this RFP for Default Service must submit one copy of the completed Proposal Submission Form, attached as Appendix A (see file “App A – Submission Form.doc”), via e-mail to furino@unitil.com by **12:00 p.m. EPT on Thursday, April 8, 2004**. Please mark submissions “FG&E d/b/a Unitil Default Service Bid.” Please refer to Section V, Proposal Requirements for further instructions. Proposed pricing must be as described in the Proposed Pricing portion of Section V, and must reflect the provision of power supply services as described in the Form of Service portion of Section IV.

Respondents will have the opportunity to modify their pricing proposals until 10:00 a.m. EPT on Friday, April 16, 2004, when final binding bids are due. There will not be a screening process, therefore all respondents who submit proposals on April 8, 2004 will be invited to submit final pricing. Unitil intends to confirm final pricing, evaluate competing bids, and select and notify the winning bidder(s) by 1:00 p.m. EPT on Friday, April 16, 2004.

Unitil, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in the RFP or any appendix thereto or to withdraw the RFP.

Contact Person and Questions

Questions regarding this RFP should be submitted Rob Furino at (603) 773-6452 or at furino@unitil.com. Unitil will attempt to respond to all questions within 24 hours of receipt.

Right to Select Supplier

Unitil shall have the exclusive right to select or reject any and/or all of the proposals submitted at any time, for any reason and to disregard any submission not prepared according to the requirements contained in this RFP.

Customer Billing and Customer Service

The Default Service power supply procured under this RFP will be a wholesale supply. As such, the winning supplier(s) will have no retail customer contact in any form. All customers taking Default Service will be retail customers of Unitil. As the retail provider of such service, Unitil will provide billing and customer service to customers receiving Default Service. In addition, Unitil will assume responsibility for the ultimate collection of moneys owed by customers in accordance with rules and regulations approved by the Massachusetts DTE.

IV. Service Features

Supply Obligation Periods

For the Small Customer Group, 50% of the service requirements will be awarded for two distinct supply periods. The first period will commence at 0001 hours on June 1, 2004 and will terminate at 2400 hours on February 28, 2005. The second period will commence at 0001 hours on March 1, 2005 and will terminate at 2400 hours on May 31, 2005.

For the Large Customer Group, the supply obligation period will commence at 0001 hours on June 1, 2004 and will terminate at 2400 hours on August 31, 2004. Please note that service for this period is for 100% of the requirements of the Large Customer Group Default Service loads.

Delivery Point

Currently, the load obligation associated with the Load asset(s) is settled at the West Central Massachusetts Load Zone. In the event that NEPOOL implements nodal settlement of load obligations, supplier will be responsible for all relevant charges at the node where the load asset(s) are settled. The load physically exists and is metered at the Flag Pond substation.

Form of Service

The winning supplier(s) shall provide firm, load-following power for delivery to ultimate customers taking service under Unitil's Default Service tariff (see Appendix E). The obligations and responsibilities associated with providing Default Service shall be transferred to the winning supplier via an Ownership Share for Load Asset, utilizing the NEPOOL Asset Registration Process for the load asset(s) associated with the customer group(s). The quantity of service that supplier(s) will be responsible to deliver, and that

Unitil will be responsible to purchase, includes the local distribution losses associated with delivery of electricity from the delivery point to the customers' meters, as described in the Data Provided portion of Section II.

Supplier shall be responsible for providing and paying for all energy and capacity services and for all ancillary services allocated to the Electrical Load (as defined in the RNA), associated with the load asset(s), as required by NEPOOL rules and/or the ISO New England, Inc. ("ISO") rules or their successors. Unitil shall be responsible for providing and paying for the transmission of the power across NEPOOL PTF and for all ancillary services allocated to the Network Load (as defined in the NEPOOL OATT), associated with the load asset(s). The specific requirements regarding the provision of energy, capacity and ancillary services by the supplier, and regarding the provision of transmission service by Unitil are detailed in the proposed EEI Confirm in Appendix B (under "Product" description) and in the proposed DS Contract in Appendix C (Section 1.3.1, Power Supply Obligations).

Unitil will report Default Service loads associated with load asset 1737 and load asset 1095 to ISO-NE on a daily basis in accordance with the reporting practices in New England. The load reported for Default Service customers will incorporate appropriate load allocation and estimation techniques and available meter readings for customers receiving Default Service from Unitil. Month end adjustments, based on customer meter readings, will be made to loads approximately 45 days after each month. Such adjustments will be priced at the contract price in effective for the month the load was served.

Renewable Energy Portfolio Standards

The Massachusetts Act required the Division of Energy Resources ("DOER") to establish a Renewable Energy Portfolio Standard ("RPS") for all retail electricity suppliers selling electricity to end-use consumers in Massachusetts. Implementation of the RPS began on January 1, 2003 and requires Unitil to demonstrate compliance with RPS regulations. Unitil intends to acquire Renewable Energy Certificates ("RECs") under a separate process and therefore the service sought via this RFP does not include the provision of RECs for RPS compliance. However, the winning supplier(s) will be required to transfer the certificates obligation associated with the Default Service load it serves to Unitil's NEPOOL GIS account so that Unitil can demonstrate compliance with RPS regulations.

V. Proposal Requirements

Requested Information

Each Respondent to this RFP must provide the information identified in the Proposal Submission Form attached as Appendix A (see file "App A – Submission Form.doc"). Respondents may simply complete the Submission Form in any legible fashion and return it to Rob Furino as indicated in Section III. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary. Respondents who have

participated in Unitil's RFPs for Default Service during the past year may refer to a prior proposal submission form and include only new or updated information on the new form.

Respondents will find that Unitil requests on its Proposal Submission Form that bidders indicate whether they will extend sufficient financial credit to Unitil to facilitate the transaction(s) sought. Unitil has included with this RFP a copy of its most recent financials (see file "FG&E dba Unitil Financials.zip"). Additionally, security terms are proposed in the DS Contract and the EEI Cover Sheet, Appendices C and D, respectively. Respondents are also asked to indicate whether they agree that the resulting EEI Confirm or DS Contract is subject to DTE approval of supporting retail rates as sought by Unitil. Respondents are encouraged to indicate the financial security requirements they propose, along with any substantive contract revisions they propose, with their proposals on Thursday, April 8, 2004.

Unitil will treat all information received from Respondents in a confidential manner and will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than to evaluate the Respondent's ability to perform under the EEI Master Agreement and EEI Confirm or the Default Service Power Contract.

Proposed Pricing

Respondents must specify the prices, in ¢/kWh, at which they will provide Default Service for each customer group they are bidding to serve. Proposed prices may vary by calendar month and by customer group, but must be uniform for the entire calendar month and must cover the entire supply obligation period sought for each customer group Respondent is bidding to serve. Purchases will be made on an "as-delivered" energy basis with prices stated on a fixed ¢/kWh basis for all kWh reported to the ISO for either Load Asset 1737 (Small Customer Group) or Load Asset 1095 (Large Customer Group). No maximum price is specified, however the resulting retail rates are subject to the review and acceptance the Massachusetts DTE.

Proposals that contain time of use pricing, other forms of variable pricing, quantity restrictions, demand charges, or other fixed charges will be rejected.

Bidder Requirements

In order to secure reliable, low cost Default Service for its customers, Unitil wishes to include all qualified power suppliers in this solicitation.

Bidders must have access to the NEPOOL settlement process for the entire term of the sale, either as a Participant in NEPOOL or via arrangements with a Participant to utilize their settlement process.

Respondents are encouraged to establish mutually acceptable contract language, including financial security arrangements, with Unitil prior to submission of final bids on Friday, April 16, 2004.

VI. Evaluation Criteria

The principal criteria to be used in evaluating proposals will include, but may not be limited to:

- ? Lowest evaluated bid price over the supply obligation period;
- ? Financial and operational viability of the power supplier, including the establishment of mutually acceptable financial security arrangements; and
- ? Responsiveness to non-price requirements including the reasonable extension of financial credit to Unitil and agreement that the proposed transaction is subject to DTE approval of retail rates as sought by Unitil to cover the cost of the transaction.

Respondent pricing will be evaluated by weighting the fixed monthly pricing according to the evaluation loads for each customer group provided the file "Evaluation Loads.xls" as described at the end of Section II.

RESPONDENT: _____

FG&E d/b/a Unitil Default Service RFP
Proposal Submission Form
Due Thu, April 8, 2004

APPENDIX A: PROPOSAL SUBMISSION FORM

RESPONDENT: _____

1. General Information

Name of Respondent	
Name of Parent or Guarantor (if any)	
Principal contact person <input type="checkbox"/> Name <input type="checkbox"/> Title <input type="checkbox"/> Company <input type="checkbox"/> Mailing address <input type="checkbox"/> Telephone number <input type="checkbox"/> Fax number <input type="checkbox"/> E-mail address	
Secondary contact person (if any) <input type="checkbox"/> Name <input type="checkbox"/> Title <input type="checkbox"/> Company <input type="checkbox"/> Mailing address <input type="checkbox"/> Telephone number <input type="checkbox"/> Fax number <input type="checkbox"/> E-mail address	
Legal status of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State of incorporation, residency or organization	
The names of all general and limited partners (if Respondent is a partnership)	

RESPONDENT: _____

Description of Respondent and all relevant affiliated entities and joint ventures	
---	--

2. Financial Information

Please provide the following for Respondent and for Parent or Guarantor (if any)	Respondent	Parent or Guarantor
Current debt ratings, including names of rating agencies and dates of ratings. If entity is not rated, please indicate.		
Date last fiscal year ended.		
Total revenue for the most recent fiscal year.		
Total net income for the most recent fiscal year.		
Total assets as of the close of the previous fiscal year.		
DUNS Number and Federal Tax ID.		
Please provide a copy of the most recent financials including balance sheet, income statement and cash flow statement.		

RESPONDENT: _____

3. Defaults and Adverse Situations

<p>Describe, in detail, any situation in which Respondent (either alone or as part of a joint venture), or an affiliate of Respondent, defaulted or was deemed to be in noncompliance of its contractual obligations to deliver energy and/or capacity at wholesale within the past five years.</p> <p>Explain the situation, its outcome and all other relevant facts associated with the event described.</p> <p>Please also identify the name, title and telephone number of the principal manager of the customer/client who asserted the event of default or noncompliance.</p>	
<p>Describe any facts presently known to Respondent that might adversely affect its ability to provide the service(s) bid herein as provided for in the Request for Proposals.</p>	

4. NEPOOL and Power Supply Experience

<p>Is Respondent a member of NEPOOL?</p>	
<p>Please list Respondent's NEPOOL Participant ID.</p>	
<p>If Respondent is NOT a NEPOOL member, list the name and Participant ID of the NEPOOL member who will carry Respondent's obligations in its settlement account. Please provide a supporting statement and contact information from such member.</p>	

RESPONDENT: _____

Describe Respondent's experience and record of performance in the areas of power marketing, brokering, sales, and/or contracting, for the last five years within NEPOOL and/or the New England region.	
Provide three references (name, title and contact information) who have contracted with the Respondent for load-following services or who can attest to Respondent's ability in the areas of power supply portfolio management within the past 2 years.	

5. Non Price Terms

Does Respondent extend sufficient financial credit to FG&E to facilitate the transaction(s) sought via this RFP?	YES or NO
Please indicate what, if any, financial security requirements Respondent has of FG&E in order to secure the extension of credit. Please attach any proposed contractual language.	
Does Respondent agree that the obligations of both parties are subject to and conditioned upon the Massachusetts DTE's approval of the retail rates derived from the transaction sought in this solicitation?	YES or NO
Please list all regulatory approvals required before service can commence.	

RESPONDENT: _____

<p>Please indicate contractual preference:</p> <p>Respondent prefers to provide service under terms substantially similar to those in the <u>Transaction Confirmation Letter</u> ("Confirm") contained in Appendix B. Respondent acknowledges that this option requires Respondent to establish an EEI Master Agreement with FG&E, if one does not already exist.</p> <p>- or -</p> <p>Respondent prefers to execute a contract substantially similar to the <u>Default Service Power Contract</u> ("Contract") contained in Appendix C.</p>	<p>EEI and CONFIRM</p> <p>or</p> <p>CONTRACT</p>
<p>Please provide any proposed modifications to either the <u>Transaction Confirmation Letter</u> in Appendix B and the <u>EEI Cover Sheet</u> (if needed) in Appendix D or the <u>Default Service Power Contract</u> in Appendix C.</p> <p>Please briefly list issues here and provide proposed changes to the language in the document in revision marking mode as appropriate.</p>	

RESPONDENT: _____

6. PROPOSED PRICING (Indicative)

Small Customer Group
(Rates RD-1, RD-2, GD-1)

Month	Percent of Load Asset 1737	Bid Prices (¢/kWh)
Jun-04	50%	
Jul-04	50%	
Aug-04	50%	
Sep-04	50%	
Oct-04	50%	
Nov-04	50%	
Dec-04	50%	
Jan-05	50%	
Feb-05	50%	

Mar-05	50%	
Apr-05	50%	
May-05	50%	

Large Customer Group
(Rates GD-2, GD-3, GD-4, GD-5, SD)

Month	Percent of Load Asset 1095	Bid Prices (¢/kWh)
Jun-04	100%	
Jul-04	100%	
Aug-04	100%	

*Large Customer Group for Jun-04 through Aug-04
to be awarded to a single bidder.*

*Small Customer Group for Jun-04 through Feb-05
to be awarded to a single bidder.*

Standard Offer Service becomes Default Service

*Small Customer Group for Mar-05 through May-05
to be awarded to a single bidder.*

Notes:

- ? The bids submitted here are subject to the terms of the Default Service Request for Proposals issued by FG&E on March 19, 2004.
- ? The kWh price should be in format of: "3.90" cents, "4.50" cents, etc.
- ? FG&E will not accept bids that contain time of use pricing, other forms of variable pricing, quantity restrictions, demand charges, or other fixed charges.
- ? Local distribution losses from the delivery point to customers' meters are included in the quantity of service and should not be priced separately.
- ? The pricing should not reflect the provision of Renewable Energy Credits (RECs) needed to comply with the Renewable Portfolio Standards (RPS) established in Massachusetts.

RESPONDENT: _____

6. PROPOSED PRICING (Final)

Small Customer Group
(Rates RD-1, RD-2, GD-1)

Month	Percent of Load Asset 1737	Bid Prices (¢/kWh)
Jun-04	50%	
Jul-04	50%	
Aug-04	50%	
Sep-04	50%	
Oct-04	50%	
Nov-04	50%	
Dec-04	50%	
Jan-05	50%	
Feb-05	50%	

Mar-05	50%	
Apr-05	50%	
May-05	50%	

Large Customer Group
(Rates GD-2, GD-3, GD-4, GD-5, SD)

Month	Percent of Load Asset 1095	Bid Prices (¢/kWh)
Jun-04	100%	
Jul-04	100%	
Aug-04	100%	

*Large Customer Group for Jun-04 through Aug-04
to be awarded to a single bidder.*

*Small Customer Group for Jun-04 through Feb-05
to be awarded to a single bidder.*

Standard Offer Service becomes Default Service

*Small Customer Group for Mar-05 through May-05
to be awarded to a single bidder.*

Notes:

- ? The bids submitted here are subject to the terms of the Default Service Request for Proposals issued by FG&E on March 19, 2004.
- ? The kWh price should be in format of: "3.90" cents, "4.50" cents, etc.
- ? FG&E will not accept bids that contain time of use pricing, other forms of variable pricing, quantity restrictions, demand charges, or other fixed charges.
- ? Local distribution losses from the delivery point to customers' meters are included in the quantity of service and should not be priced separately.
- ? The pricing should not reflect the provision of Renewable Energy Credits (RECs) needed to comply with the Renewable Portfolio Standards (RPS) established in Massachusetts.

APPENDIX B: EEI MASTER AGREEMENT TRANSACTION CONFIRMATION LETTER

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This Confirmation Letter shall confirm the Transaction agreed to on (April 16, 2004) between Fitchburg Gas and Electric Light Company ("FG&E" or "Party A") and _____ ("Seller" or "Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: _____

Buyer: FG&E

Product:

☐ Into _____, Seller's Daily Choice

☒ Firm (LD)

It is understood that Seller's obligations hereunder are Firm (LD) and Seller accordingly shall provide firm, load-following power for delivery to ultimate customers taking service under Buyer's Default Service tariff. The obligations and responsibilities associated with providing service under this Transaction shall be transferred to Seller via an Ownership Share (as defined in the Restated New England Power Pool ("NEPOOL") Agreement ("RNA")) for Load Asset (as defined in the RNA), utilizing the NEPOOL Asset Registration Process (as defined in the NEPOOL Manual for Definitions and Abbreviations Manual M-35 ("Manual M-35"), for the percentage share of the Load Asset(s) listed under Contract Quantity ("Default Service Load Assets").

Seller shall be responsible for providing and paying for all energy, capacity and ancillary services, allocated to the Electrical Load (as defined in the RNA), and associated with the Default Service Load Asset(s), as required by NEPOOL rules and/or the ISO New England, Inc. ("ISO") rules or their successors. Buyer shall be responsible for providing and paying for the transmission of the power across NEPOOL PTF (as defined in the Restated NEPOOL Open Access Transmission Tariff ("NEPOOL OATT")) and any ancillary services, allocated to the Network Load (as defined in the NEPOOL OATT), associated with the Default Service Load Asset(s).

If NEPOOL and/or ISO rules are changed after the date of this Confirmation Letter, which change the allocation of currently existing charges from Electrical Load to Network Load, then the Seller shall compensate FG&E for such charges, associated with the Default Service Load Asset(s). If NEPOOL and/or ISO rules are changed after the date of this Confirmation Letter, which change the allocation of currently existing charges from Network Load to Electrical Load, then FG&E shall compensate the Seller for such charges. If NEPOOL and/or ISO rules are changed after the date of this Confirmation Letter, which create new charges, associated with the Default Service Load Asset(s), then the Seller shall pay such new charges, if allocated to the Seller, and FG&E shall pay such new charges, if allocated to FG&E.

Provision of energy includes, but is not limited to the following. Seller is responsible for all components of Locational Marginal Prices (as defined in NEPOOL Market Rule 1 ("MR 1")) including the Energy Component, Loss Component, and Congestion Component (each as defined in MR 1) in both the Day-Ahead Energy Market and Real-Time Energy Market (each as defined in MR 1). Currently, the energy obligation, associated with the Default Service Load Asset(s), is settled at the West Central Massachusetts Load Zone (as defined in MR 1). In the event that

EXHIBIT A

NEPOOL implements nodal settlement of load obligations of the Day-Ahead and Real-Time Energy Markets, Seller is responsible for Day-Ahead Energy Market charges and Real-Time Energy Market charges at the node, where the Default Service Load Asset(s) is (are) settled. Seller shall also be responsible for Emergency Energy (as defined in M-35) charges or revenues and any Inadvertent Energy Charges or Credits (as defined in M-35).

Provision of capacity includes, but is not limited to the following. Seller is responsible for any ICAP Market (as defined in NEPOOL Manual M-20) charges, associated with the Default Service Load Asset(s). Currently, the ICAP obligation, associated with the Default Service Load Asset(s), can be satisfied with any resource in the NEPOOL control-area. In the event that NEPOOL implements Locational ICAP, then the Seller will be responsible for providing ICAP at the location, required to meet the ICAP obligation, associated with the Default Service Load Asset(s).

Provision of ancillary services, required of the Seller, includes, but is not limited to Regulation, Operating Reserves (each as defined in M-35), and any transmission dispatch or power administration services, as may be allocated to Electrical Load in accordance with NEPOOL and ISO rules. If NEPOOL implements a Forward Operating Reserves (to be defined in MR 1) market, then the Seller shall be responsible for any such charges associated with the Default Service Load Asset(s). If NEPOOL implements Locational Operating Reserves, then the Seller shall be responsible for providing the Operating Reserves at the location, required to meet the Operating Reserve obligation, associated with the Default Service Load Asset(s).

Provision of transmission across NEPOOL PTF, required of FG&E, includes, but is not limited to taking Regional Network Service under the NEPOOL Open Access Transmission Tariff and taking Network Integration Transmission Service under the New England Power Company Open Access Transmission Tariff. Provision of ancillary services, required by the Buyer, includes, but is not limited to any transmission dispatch or power administration services, as may be allocated to Network Load in accordance with NEPOOL and ISO rules.

- ☐ Firm (No Force Majeure)
- ☐ System Firm
(Specify System: _____)
- ☐ Unit Firm
(Specify Unit(s): _____)
- ☐ Other _____
- ☐ Transmission Contingency (If not marked, no transmission contingency)
 - ☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer
 - ☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer
 - ☐ Transmission Contingent ☐ Seller ☐ Buyer
 - ☐ Other transmission contingency
(Specify: _____)

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Contract Quantity:

As a load-following Transaction, the Contract Quantity will be the hourly loads reported by Buyer associated with the Load Asset(s) listed below, which represent the loads of ultimate customers taking service under Buyer's Default Service Tariff:

- ? From June 1, 2004, Hour Ending ("HE") 0100 through February 28, 2005, HE 2400, sales under this Confirmation Letter shall include 50% of the hourly loads reported by Buyer associated with Load Asset 1737 – Buyer's Small Customer Group taking Default Service, including rate classes RD-1, RD-2, and GD-1.
- and/or -
- ? From March 1, 2005, HE 0100 through May 31, 2005, HE 2400, sales under this Confirmation Letter shall include 50% of the hourly loads reported by Buyer associated with Load Asset 1737 – Buyer's Small Customer Group taking Default Service, including rate classes RD-1, RD-2, and GD-1.
- and/or -
- ? From June 1, 2004, HE 0100 through August 31, 2004, HE 2400, sales under this Confirmation Letter shall include 100% Load Asset 1095 - Buyer's Large Customer Group taking Default Service, including rate classes GD-2, GD-3, GD-4, GD-5 and SD.

Buyer shall estimate the total hourly loads associated with the above Default Service Load Asset(s) based upon typical load profiles developed for each customer rate class, actual metered data as available and Buyer's actual total hourly system load, as metered at Flag Pond, the interconnection between FG&E and the New England Power Company transmission system. Buyer shall use commercially reasonable efforts to report to both ISO and Seller the amount of the estimated hourly loads, as metered at Flag Pond, by 1300 hours of the second following Business Day, or at such other time as may be required by NEPOOL or the ISO. Within 45 days after the end of each month, or at other such time as may be required by NEPOOL or the ISO, Buyer shall re-estimate the hourly loads based upon actual metered data for the given month and report such revised hourly estimates to both ISO and Seller for such month. The hourly load adjustments shall be priced at the Contract Price in effect during the month Product was delivered.

Delivery Point:

Each component of Product (energy, capacity, and ancillary services) sold pursuant to this Confirmation Letter is to be delivered as described in the Product section of this Confirmation Letter.

Contract Price:

The monthly Contract Prices, listed below, shall be multiplied by the monthly volume, as metered at Flag Pond using the estimation process described under Contract Quantity, associated with the Default Service Load Asset(s).

\$/MWh for Small Customer Group / Load Asset 1737

June 2004	\$_____ 50% of Load Asset 1737
July 2004	\$_____ 50% of Load Asset 1737

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August 2004	\$_____ 50% of Load Asset 1737
September 2004	\$_____ 50% of Load Asset 1737
October 2004	\$_____ 50% of Load Asset 1737
November 2004	\$_____ 50% of Load Asset 1737
December 2004	\$_____ 50% of Load Asset 1737
January 2005	\$_____ 50% of Load Asset 1737
February 2005	\$_____ 50% of Load Asset 1737

- and/or -

March 2005	\$_____ 50% of Load Asset 1737
April 2005	\$_____ 50% of Load Asset 1737
May 2005	\$_____ 50% of Load Asset 1737

- and/or -

\$/MWh for Large Customer Group / Load Asset 1095

June 2004	\$_____ 100% of Load Asset 1095
July 2004	\$_____ 100% of Load Asset 1095
August 2004	\$_____ 100% of Load Asset 1095

Energy Price: N/A

Other Charges: N/A

Delivery Period(s):

For the Small Customer Group / Load Asset 1737: Hour Ending ("HE") 0100 June 1, 2004 through HE 2400 February 28, 2005.

- and/or -

For the Small Customer Group / Load Asset 1737: HE 0100 March 1, 2005 through HE 2400 March 31, 2005.

- and/or -

For the Large Customer Group / Load Asset 1095: HE 0100 June 1, 2004 through HE 2400 August 31, 2004.

Special Conditions:

It is understood that Seller is a member of NEPOOL and is a signatory to the NEPOOL Agreement or has made arrangements with a NEPOOL Participant to provide settlement services for the duration of the Transaction set forth in this Confirmation Letter. The provision of Product under this Transaction is subject to the provisions of the NEPOOL Agreement.

The obligations of FG&E and Seller are subject to and conditioned upon FG&E securing the Massachusetts DTE's approval of the retail rates pursuant to this Transaction, which FG&E will use its best efforts to obtain. FG&E will immediately send written notice to Seller as soon as it is notified by the Massachusetts DTE that the retail rates have been either approved or rejected.

Scheduling:

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Seller shall have all scheduling and bidding rights and obligations associated with Load Serving Entities under the RNA for the Default Service Load Asset(s) served pursuant to this Confirmation Letter.

Seller shall transfer the Certificates Obligation (as defined in the NEPOOL Generation Information System Operating Procedures), associated with the Default Service Load Asset(s) into FG&E's NEPOOL Generation Information System Account. FG&E is obligated to confirm this transfer in the NEPOOL Generation Information System.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

This Confirmation Letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated _____ (the "Master Agreement") between FG&E and Seller, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Fitchburg Gas and Electric Light Company

[Party B]

Name: _____

Name: _____

Title: _____

Title: _____

Phone No: _____

Phone No: _____

Fax: _____

Fax: _____

APPENDIX C: DEFAULT SERVICE POWER CONTRACT

**DEFAULT SERVICE POWER CONTRACT BETWEEN
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY d/b/a/ UNITIL
AND
(DEFAULT SERVICE SUPPLIER)**

ARTICLE 1

General Terms and Conditions

1.1 General Purpose

This Default Service Power Contract (the "Power Contract") dated as of (April __, 2004) is by and between Default Service Supplier (the "Seller") and Fitchburg Gas and Electric Light Company d/b/a ("Unitil", the "Buyer"). Pursuant to this Power Contract, Seller will supply firm full-requirements service as necessary to serve the Buyer's Default Service loads associated with the percentage share of the Load Asset(s) listed in Section 1.2 during the term of this Power Contract.

1.2 Availability and Term

Sales under this Power Contract by Seller are available to Buyer only for resale to retail customers who are taking service from Buyer under Buyer's retail Default Service tariff, whose loads are reported to NEPOOL under the following Load Assets for each customer group.

- ? From June 1, 2004, Hour Ending ("HE") 0100 through February 28, 2005, HE 2400, sales under this Power Contract shall include 50% of the hourly loads reported by Buyer associated with Load Asset 1737 – Buyer's Small Customer Group taking Default Service, including rate classes RD-1, RD-2, and GD-1.
- ? From March 1, 2005, HE 0100 through May 31, 2005, HE 2400, sales under this Power Contract shall include 50% of the hourly loads reported by Buyer associated with Load Asset 1737 – Buyer's Small Customer Group taking Default Service, including rate classes RD-1, RD-2, and GD-1.
- ? From June 1, 2004, HE 0100 through August 31, 2004, HE 2400, sales under this Power Contract shall include 100% Load Asset 1095 - Buyer's Large Customer Group taking Default Service, including rate classes GD-2, GD-3, GD-4, GD-5 and SD.

This Power Contract will terminate of its own accord on [February 28, 2005; May 31, 2005 or August 31, 2004] and may not be terminated prior to that date by either the Buyer or the Seller, except as specified in Section 1.12. Its terms shall remain in effect beyond such termination date in order to complete billing and payment of any transaction occurring during the term of this Power Contract.

1.3 Obligations of the Parties

1.3.1 Power Supply Obligations

Seller shall provide firm, load-following power for delivery to ultimate customers taking service under Buyer's Default Service tariff. The obligations and responsibilities associated with providing service under this Transaction shall be transferred to Seller via an Ownership Share (as defined in the Restated New England Power Pool ("NEPOOL") Agreement ("RNA")) for Load Asset (as defined in the RNA), utilizing the NEPOOL Asset Registration Process (as defined in the NEPOOL Manual for Definitions and Abbreviations Manual M-35 ("Manual M-35")), for the percentage share of the Load Asset(s) listed under Availability and Term ("Default Service Load Assets").

Seller shall be responsible for providing and paying for all energy, capacity and ancillary services, allocated to the Electrical Load (as defined in the RNA), associated with the Default Service Load Asset(s), as required by NEPOOL rules and/or the ISO New England, Inc. ("ISO") rules or their successors. Buyer shall be responsible for providing and paying for the transmission of the power across NEPOOL PTF (as defined in the Restated NEPOOL Open Access Transmission Tariff ("NEPOOL OATT")) and any ancillary services, allocated to the Network Load (as defined in the NEPOOL OATT), associated with the Default Service Load Asset(s).

If NEPOOL and/or ISO rules are changed after the date of this Power Contract, which change the allocation of currently existing charges from Electrical Load to Network Load, then the Seller shall compensate Unitil for such charges, associated with the Default Service Load Asset(s). If NEPOOL and/or ISO rules are changed after the date of this Power Contract, which change the allocation of currently existing charges from Network Load to Electrical Load, then Unitil shall compensate the Seller for such charges. If NEPOOL and/or ISO rules are changed after the date of this Power Contract, which create new charges, associated with the Default Service Load Asset(s), then the Seller shall pay such new charges, if allocated to the Seller, and Unitil shall pay such new charges, if allocated to Unitil.

Provision of energy includes, but is not limited to the following. Seller is responsible for all components of Locational Marginal Prices (as defined in NEPOOL Market Rule 1 ("MR 1")) including the Energy Component, Loss Component, and Congestion Component (each as defined in MR 1) in both the Day-Ahead Energy Market and Real-Time Energy Market (each as defined in MR 1). Currently, the energy obligation, associated with the Default Service Load Asset(s), is settled at the West Central Massachusetts Load Zone (as defined in MR 1). In the event that NEPOOL implements nodal settlement of load obligations of the Day-Ahead and Real-Time Energy Markets, Seller is responsible for Day-Ahead Energy Market charges and Real-Time Energy Market charges at the node, where the Default Service Load Asset(s) is (are) settled. Seller shall also be responsible for Emergency Energy (as defined in M-35) charges or revenues and any Inadvertent Energy Charges or Credits (as defined in M-35).

Provision of capacity includes, but is not limited to the following. Seller is responsible for any ICAP Market (as defined in NEPOOL Manual M-20) charges, associated with the Default Service Load Asset(s). Currently, the ICAP obligation, associated with the Default Service Load Asset(s), can be satisfied with any resource in the NEPOOL control-area. In the event that NEPOOL implements Locational ICAP, then the Seller will be responsible for providing ICAP at the location, required to meet the ICAP obligation, associated with the Default Service Load Asset(s).

Provision of ancillary services, required of the Seller, includes, but is not limited to Regulation, Operating Reserves (each as defined in M-35), and any transmission dispatch or power administration services, as may be allocated to Electrical Load in accordance with NEPOOL and ISO rules. If NEPOOL implements a Forward Operating Reserves (to be defined in MR 1) market, then the Seller shall be responsible for any such charges associated with the Default Service Load Asset(s). If NEPOOL implements Locational Operating Reserves, then the Seller shall be responsible for providing the Operating Reserves at the location, required to meet the Operating Reserve obligation, associated with the Default Service Load Asset(s).

Provision of transmission across NEPOOL PTF, required of Unitil, includes, but is not limited to taking Regional Network Service under the NEPOOL Open Access Transmission Tariff and taking Network Integration Transmission Service under the New England Power Company Open Access Transmission Tariff. Provision of ancillary services, required by the Buyer, includes, but is not limited to any transmission dispatch or power administration services, as may be allocated to Network Load in accordance with NEPOOL and ISO rules.

1.3.2 Load Reporting Obligations

Buyer shall estimate the total hourly loads associated with the Default Service Load Asset(s) based upon typical load profiles developed for each customer rate class, actual metered data as available and Buyer's actual total hourly system load, as metered at Flag Pond, the interconnection between Unitil and the New England Power Company transmission system. Buyer shall use commercially reasonable efforts to report to both ISO and Seller the amount of the estimated hourly loads, as metered at Flag Pond, by 1300 hours of the second following Business Day, or at such other time as may be required by NEPOOL or the ISO. Within 45 days after the end of each month, or at other such time as may be required by NEPOOL or the ISO, Buyer shall re-estimate the hourly loads based upon actual metered data for the given month and report such revised hourly estimates to both ISO and Seller for such month. The hourly load adjustments shall be priced at the Contract Price in effect during the month Product was delivered.

1.3.3 Scheduling Obligations

Seller shall have all scheduling and bidding rights and obligations associated with Load Serving Entities under the RNA for the Default Service Load Asset(s) served pursuant to this Power Contract.

Seller shall transfer the Certificates Obligation (as defined in the NEPOOL Generation Information System Operating Procedures), associated with the Default Service Load Asset(s) into Unitil's NEPOOL Generation Information System Account. Unitil is obligated to confirm this transfer in the NEPOOL Generation Information System.

1.4 Rights and Approvals

The obligations of Unitil and Seller are subject to and conditioned upon Unitil securing the Massachusetts DTE's approval of the retail rates pursuant to this Transaction, which Unitil will use its best efforts to obtain. Unitil will immediately send written notice to Seller as soon as it is notified by the Massachusetts DTE that the retail rates have been either approved or rejected.

1.5 Delivery Point

The Delivery Point of each component of the load-following power (energy, capacity, and ancillary services) shall be delivered as described in 1.3.1 Power Supply Obligations of this Power Contract.

1.6 Dispatch

It is understood that the Seller is a member of the New England Power Pool ("NEPOOL") and is a signatory to the NEPOOL Agreement or has made an arrangement with a NEPOOL Participant to provide settlement services for the duration of this Power Contract. This Power Contract is subject to the provisions of the NEPOOL Agreement. The dispatch provisions shall be in accordance with the NEPOOL Agreement, as amended from time to time.

1.7 Billings and Payment

All bills shall be rendered monthly in such reasonable detail as the Buyer may request. All bills shall be due and payable within ten (10) days of presentation. In the event of a dispute as to the amount of any bill, the Buyer will notify the Seller of the amount in dispute, and the Buyer will pay to the Seller the entire amount of the bill, including the disputed amount. The Seller shall refund, with simple interest at the rate described in paragraph (c), any portion of the disputed amount ultimately found to be incorrect. In the event adequate billing data are not available, bills may be rendered on an estimated basis subject to prompt corrective adjustment when such data are received.

The Buyer shall not have the right to challenge any bill, invoice or statement or bring any court or administrative action of any kind questioning the same or seeking refunds after a period of 12 months from the date it is rendered. In the case of a bill, invoice, or statement containing estimates, the Buyer shall not have the right to challenge its accuracy after a period of 12 months from the date it is adjusted to reflect the actual amounts due.

When all or part of any bill shall remain unpaid for more than ten (10) days from receipt by the Buyer, the Buyer shall pay to the Seller simple interest at two percent over the then prime rate offered by Fleet Bank, its successors or assigns, with such interest to be computed on the unpaid amount from the date of rendering to the date final payment is received.

1.8 Indemnification

Each party shall indemnify and save the other party harmless from and against all costs and damages incurred by reason of bodily injury, death, or damage to property caused by, or sustained on, each of its own facilities. However, each of the parties shall be solely responsible for, and shall bear all costs of claims by its own employees, contractors, or agents, no matter where such event occurs, and each of the parties shall be solely responsible for, and shall bear all costs of

claims by its own employees, contractors or agents arising under, and covered by, any workmen's compensation law.

1.9 Force Majeure

The Seller and the Buyer shall use due diligence to perform their obligations under this Power Contract, but conditions may arise which prevent or delay performance by a party because of causes beyond that party's reasonable control including, without limiting the generality of the foregoing, flood, earthquake, fire, explosion, epidemic, war, riot, civil disturbance, labor trouble, strike, sabotage, and restraints by court or public authority which by exercise of due diligence and foresight a party could not be expected to avoid. If a party is rendered unable to fulfill any obligations by reason of such causes, it shall be excused from performing to the extent it is prevented or delayed from so doing, but shall exercise due diligence to correct such inability with all reasonable dispatch, and shall not be liable for injury, damage, or loss resulting from such inability. However, settlement of strikes and labor disturbances shall be wholly within the discretion of the affected party. In no event will economic hardship be construed as a force Majeure event.

1.10 Dispute Resolution

The Seller and the Buyer shall attempt in good faith to resolve any disputes that may arise under this Power Contract. In the event that the Seller and the Buyer are unable to resolve any such dispute within 30 days of the date on which the dispute arises, they shall have recourse to mediation, arbitration, or other alternative dispute resolution device of their mutual selection. If the parties cannot agree on an alternative dispute resolution device, they shall submit the dispute to arbitration. Any arbitration shall be by a single arbitrator selected by the parties.

1.11 Assignment

This Power Contract for the sale and purchase of capacity, energy and ancillary services shall inure to the benefit of, and shall bind the successors of the parties thereto, but shall not be assignable without the written consent of the other party, which consent shall be at the sole discretion of such other party.

1.12 Security

Security will be in accordance with the NEPOOL Financial Assurances Policy ("FAP") as modified from time to time and the downgrade events specified below. As such, so long as each party complies with both the FAP and the specified downgrade event they will be considered in good financial standing. In the event that either party does not comply with both the FAP and the specified downgrade event prior to or at any time during the term of this Power Contract, then the compliant party may require the non-compliant party to provide performance assurance in an amount and form determined by the compliant party in a commercially reasonable manner. In the event the non-compliant party fails to provide such required performance assurance in an amount and form determined by the compliant party in a commercially reasonable manner within three (3) business days of receipt of notice, then the compliant party may serve notice to the non-compliant party of intent to terminate this Power Contract within three (3) additional business days. If the required performance assurance is not provided during that term, and the non-compliant party

remains non-compliant with either the FAP or the specified downgrade event, then the compliant party may terminate this Power Contract and calculate a termination payment that reflects the liquidation of all obligations under this Power Contract. The termination payment shall be made by the party that owes it within two (2) business days after which notice of the termination payment amount and request for payment is served.

For Unitil, it shall be a downgrade event if its Net Worth falls below \$25,000,000. Net Worth is the value obtained by aggregating the following Common Stock equity accounts: Common Stock, Premium on Common Stock, Additional Paid-in-capital, Capital Stock Expense and Retained Earnings. Such Net Worth shall be exclusive of Accumulated Other Comprehensive Income, derived from pension and benefit obligations.

For Seller, it shall be a downgrade event if [please propose downgrade event terms].

1.13 Communications

Any notice, demand or request provided for in this Power Contract shall be deemed to be properly given or made if set forth in writing and delivered, or sent by first class mail postage prepaid, by facsimile or electronic mail to Unitil or to the Default Service Supplier, to the contacts identified, at the addresses listed below:

To Unitil:
Mr. David K. Foote
Senior Vice President
Fitchburg Gas and Electric
Light Company d/b/a Unitil
6 Liberty Lane West
Hampton, NH 03842-1720
Telephone: (603) 773-6430
Facsimile: (603) 773-6630
E-mail: foote@unitil.com

To Default Service Supplier:
Contact Name: _____
Contact Title: _____
Company Name: _____

Address: _____

Telephone: _____
Facsimile: _____
E-mail: _____

1.14 Effect of Federal and State Laws

The obligations of the Seller and the Buyer hereunder are subject to any present and future Federal and State laws, regulations, orders, or other regulations duly promulgated.

1.15 Applicable Laws

This Power Contract shall be interpreted in accordance with the laws of the Commonwealth of Massachusetts.

ARTICLE II

Rate Provisions

2.1 Charges

The Buyer shall pay monthly to the Seller the product of the monthly price per kWh listed in Section 2.2 below times by the monthly volume, as metered at Flag Pond using the estimation process described in 1.3.2 Load Reporting Obligations of this Power Contract, associated with the Default Service Load Asset(s).

2.2 Monthly Default Service Contract Prices

For all loads served under the Default Service Load Asset(s) the firm requirements price shall be as follows. Note: Actual pricing will be according to the terms resulting from the RFP process.

\$/MWH Small Customer Group / Load Asset 1737

June 2004	\$_____ 50% of Load Asset 1737
July 2004	\$_____ 50% of Load Asset 1737
August 2004	\$_____ 50% of Load Asset 1737
September 2004	\$_____ 50% of Load Asset 1737
October 2004	\$_____ 50% of Load Asset 1737
November 2004	\$_____ 50% of Load Asset 1737
December 2004	\$_____ 50% of Load Asset 1737
January 2005	\$_____ 50% of Load Asset 1737
February 2005	\$_____ 50% of Load Asset 1737

- and/or -

March 2005	\$_____ 50% of Load Asset 1737
April 2005	\$_____ 50% of Load Asset 1737
May 2005	\$_____ 50% of Load Asset 1737

- and/or -

\$/MWH Large Customer Group / Load Asset 1095

June 2004	\$_____ 100% of Load Asset 1095
July 2004	\$_____ 100% of Load Asset 1095
August 2004	\$_____ 100% of Load Asset 1095

IN WITNESS HEREOF, the parties have caused this Default Service Power Contract to be executed by their respective authorized officials.

FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY

Date: _____

By: _____

Title: _____

("Default Service Supplier")

Date: _____

By: _____

Title: _____

APPENDIX D: PROPOSED EEI MASTER AGREEMENT COVER SHEET

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: _____ ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name: **FITCHBURG GAS AND ELECTRIC LIGHT COMPANY** ("FG&E" or "Party A")

All Notices:

Street: 6 Liberty Lane West

City: Hampton, NH Zip: 03842

Attn: David K. Foote

Phone: (603) 773-6430

Facsimile: (603) 773-6630

Duns: 00-695-4317

Federal Tax ID Number: 04-132-8660

Invoices:

Attn: Accounts Payable

Phone: (603) 773-6526

Facsimile: (603) 773-6726

Scheduling:

Attn: Energy Contracts

Phone: (603) 773-6436

Facsimile: (603) 773-6636

Payments:

Attn: Finance and Administration

Phone: (603) 773-6502

Facsimile: (603) 773-6702

Wire Transfer:

BNK: Fleet Boston

ABA: 011000390

ACCT: 508-34594

Credit and Collections:

Attn: Finance and Administration

Phone: (603) 773-6496

Facsimile: (603) 773-6696

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: LeBoeuf, Lamb, Greene & MacRae, L.L.P.

Phone: (617) 439-9500

Facsimile: (617) 439-0341

Name: ("Counterparty" or "Party B")

All Notices:

Street: _____

City: _____ Zip: _____

Attn: Contract Administration

Phone: _____

Facsimile: _____

Duns: _____

Federal Tax ID Number: _____

Invoices:

Attn: _____

Phone: _____

Facsimile: _____

Scheduling:

Attn: _____

Phone: _____

Facsimile: _____

Payments:

Attn: _____

Phone: _____

Facsimile: _____

Wire Transfer:

BNK: _____

ABA: _____

ACCT: _____

Credit and Collections:

Attn: _____

Phone: _____

Facsimile: _____

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: _____

Phone: _____

Facsimile: _____

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff: N/A Dated: _____ Docket Number: _____

Party B Tariff Tariff: _____ Dated: _____ Docket Number: _____

Article Two

Transaction Terms and Conditions Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

☐ Cross Default for Party A:

☐ Party A: _____ Cross Default Amount _____

☐ Other Entity: _____ Cross Default Amount \$ _____

☐ Cross Default for Party B:

☐ Party B: _____ Cross Default Amount \$ _____

☐ Other Entity: _____ Cross Default Amount \$ _____

5.6 Closeout Setoff

☒ Option A (Applicable if no other selection is made.)

☐ Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: _____

☐ Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

☒ Option A

☐ Option B Specify: _____

☐ Option C Specify: _____

(b) Credit Assurances:

☐ Not Applicable

☒ Applicable

(c) Collateral Threshold:

☒ Not Applicable

☐ Applicable

If applicable, complete the following:

Party B Collateral Threshold: \$ _____; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$ _____

Party B Rounding Amount: \$ _____

(d) Downgrade Event:

- ☐ Not Applicable
☒ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's.

- ☐ Other:
Specify: _____

(e) Guarantor for Party B: _____

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

- ☒ Option A
☐ Option B Specify: _____
☐ Option C Specify: _____

(b) Credit Assurances:

- ☐ Not Applicable
☒ Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

Party A Collateral Threshold: \$ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

(d) Downgrade Event:

- ☐ Not Applicable
☒ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below ___ from S&P or ___ from Moody's or if Party A is not rated by either S&P or Moody's.

☒ Other:

Specify: It shall be a Downgrade Event for Party A only if Party A's Net Worth falls below \$25,000,000. Net Worth is the value obtained by aggregating the following Common Stock equity accounts: Common Stock, Premium on Common Stock, Additional Paid-in-capital, Capital Stock Expense and Retained Earnings. Such Net Worth shall be exclusive of Accumulated Other Comprehensive Income, derived from pension and benefit obligations.

(e) Guarantor for Party A: None

Guarantee Amount: _____

Article 10

Confidentiality ☐ Confidentiality Applicable ☐ If not checked, inapplicable.

Schedule M ☐ Party A is a Governmental Entity or Public Power System
☐ Party B is a Governmental Entity or Public Power System
☐ Add Section 3.6. If not checked, inapplicable
☐ Add Section 8.6. If not checked, inapplicable

Other Changes: Yes Specify, if any: See below.

Section 1.50 shall be modified by replacing the words "Section 2.4" with "Section 2.5."

Section 1.60 shall be deleted in its entirety and replaced with the following.

1.60 "Transaction" means a particular transaction agreed to by the Parties relating to the sale by Party B and the purchase by Party A of a Product pursuant to this Master Agreement.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Fitchburg Gas and Electric Light Company

Party B Name

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute (“EEI”) and National Energy Marketers Association (“NEM”) member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

Appendix E: Current Default Service Tariff, Effective 3-01-2004

See file name d “App E – DS Tariff.pdf”

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS

1. General

This Tariff may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in MDTE regulations and Massachusetts law. In case of conflict between this Tariff and any orders or regulations of the MDTE, said orders or regulations shall govern.

2. Definitions

- A. "Company" shall mean Fitchburg Gas and Electric Light Company.
- B. "Competitive Supplier" shall mean any entity licensed by the MDTE to sell electricity to retail Customers in Massachusetts, with the following exceptions: (1) a Distribution Company providing Standard Offer Service and Default Service to its distribution Customers, and (2) a municipal light department that is acting as a Distribution Company.
- C. "Customer" shall mean any person, partnership, corporation, or any other entity, whether public or private, who obtains Distribution Service at a Customer Delivery Point and who is a Customer of record of the Company.
- D. "Customer Delivery Point" shall mean the Company's meter or a point designated by the Company located on the Customer's premises.
- E. "Default Service" shall mean the service provided by the Distribution Company to a Customer who is not receiving either Generation Service from a Competitive Supplier or Standard Offer Service, in accordance with the provisions set forth in this tariff.
- F. "Distribution Company" shall mean an electric company organized under the laws of Massachusetts that provides Distribution Service in Massachusetts.
- G. "Distribution Service" shall mean the delivery of electricity to Customers by the Distribution Company.
- H. "Generation Service" shall mean the sale of electricity, including ancillary services such as the provision of reserves, to a Customer by a Competitive Supplier.
- I. "MDTE" shall mean the Massachusetts Department of Telecommunications and Energy.
- J. "Retail Access Date" shall mean March 1, 1998, unless otherwise determined by the MDTE.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS (continued)

K. "Standard Offer Service" shall mean the service provided by the Company for a term of seven years after the Retail Access Date, unless otherwise determined by the MDTE. The rates for this service shall be set at levels that achieve the overall Customer rate reductions required by St. 1997, c. 164, § 193 (G.L. c. 164, § IB). Availability for this service shall be in accordance with the provisions set forth in the Company's Standard Offer Service tariff, on file with the MDTE.

3. Availability

Default Service shall be available to any Customer who is not receiving Standard Offer Service and who, for any reason, has stopped receiving Generation Service from a Competitive Supplier.

4. Rates

Fixed Pricing Option:

This pricing option is available to all customers.

Effective January 1, 2001, all residential customers on Schedules RD -1 and RD-2 and small general service customers on Schedule GD-1 receiving Default Service will automatically be placed on this fixed rate, unless the Customer elects the Variable Monthly Pricing Option.

The fixed rate will remain the same for three or six months at a time and will be based on the average monthly wholesale price over the three or six-month period that the Company pays to its Default Service provider. The rate is fixed for a period of three months for customers on Schedules GD-2, GD-3, GD-4, GD-5 and SD. The rate is fixed for six months for customers on Schedules RD-1, RD-2, and GD-1.

Customers assigned to this Fixed Pricing Option may choose the Variable Monthly Pricing Option. Customers electing the Variable Monthly Pricing Option will not have the opportunity to switch back to the Fixed Pricing Option for as long as the Customer continues to receive uninterrupted Default Service.

Monthly bills will be recalculated for Customers who are on the Fixed Pricing Option for Default Service and decide to switch to a competitive supplier before the three or six-month period is over. The electric bill for the period of the fixed three or six month rate will be recalculated using the monthly variable rate for that period. This ensures that all consumers pay the actual cost of electricity they have used. This adjustment may be a credit or a debit, and will be reflected on the first bill after the switch is effective.

Residential customers on Schedules RD -1 and RD-2 and small general service customers on Schedule GD-1 who switch to a competitive supplier and later return to Default Service will

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS (continued)

be initially placed on the Fixed Pricing Option unless the Customer elects the Variable Monthly Pricing Option.

The rates for Fixed Pricing Option Default Service shall be as follows:

For Schedules RD-1, RD-2:	\$0.05917 per kWh
For Schedule GD-1:	\$0.05928 per kWh
For Schedules GD-2, GD-4, GD-5, SD:	\$0.06475 per kWh
For Schedule GD-3:	\$0.06252 per kWh

Variable Monthly Pricing Option:

This option is available to all customers.

Effective January 1, 2001, general service customers on Schedules GD -2, GD-3, GD-4, and GD-5 and outdoor lighting customers on Schedule SD receiving Default Service will automatically be placed on this variable monthly rate option, unless the Customer elects the Fixed Pricing Option.

The variable rate will change from month to month reflecting the monthly wholesale price that the Company pays to its Default Service provider.

Customers assigned to the Variable Monthly Pricing Option may choose the Fixed Pricing Option. Customers electing the Fixed Pricing Option will not have the opportunity to switch back to the Variable Monthly Pricing Option for as long as the Customer continues to receive uninterrupted Default Service.

General service customers on Schedules GD -2, GD-3, GD-4, and GD-5 and outdoor lighting customers on Schedule SD who decide to switch to a competitive supplier and later return to Default Service will be initially placed on the Variable Monthly Pricing Option, unless the Customer elects the Fixed Pricing Option.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS (continued)

The rates for Variable Monthly Pricing Option Default Service shall be as follows (per kWh):

<u>Class</u>	<u>December 2003</u>	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>	<u>April 2004</u>	<u>May 2004</u>
Residential: Schedules RD-1 and RD-2	\$0.05877	\$0.06451	\$0.06502	\$0.05663	\$0.05653	\$0.04921
Small General Service: Schedule GD-1	\$0.05888	\$0.06463	\$0.06514	\$0.05674	\$0.05664	\$0.04930
Regular General Service and Outdoor Lighting: Schedules GD-2, GD-4, GD-5 and SD	\$0.06428	\$0.06504	\$0.06407	\$0.07062	\$0.06334	\$0.05942
Large General Service: Schedule GD-3	\$0.06234	\$0.06309	\$0.06214	\$0.06850	\$0.06143	\$0.05763

These rate(s) for Default Service are established through a competitive bidding process, but in no case shall exceed the average monthly market price for electricity, as determined by the MDTE.

Customers will be notified of changes in Default Service rates in advance of their effective dates in accordance with guidelines set forth by the MDTE, as may be amended from time to time. Such notifications will be made in a variety of manners including a toll free number, the Company's website, bill inserts, and bill messages. Notification of rates will be made via the Company's website at www.unitil.com and a toll free number 30 days in advance of the effective date. Default Customers will receive 60 day notification of upcoming rate changes via a bill message and 30 day notification of the new rates via a bill message. All customers will receive a bill insert explaining Default Service in the billing cycle prior to the rate change.

5. Billing

Each Customer receiving Default Service shall receive one bill from the Company, reflecting unbundled charges for their electric service.

6. Initiation of Default Service

Default service may be initiated in any of the following manners:

- A. A Customer who is receiving Generation Service from a Competitive Supplier notifies the Company that he wishes to terminate such service and receive Default Service. In this instance, Default Service shall be initiated within two (2) business days of such notification for residential Customers. For other Customers, Default Service shall be

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

DEFAULT SERVICE

SCHEDULE DS (continued)

initiated concurrent with the Customer's next scheduled meter read date, provided that the Customer has provided such notification to the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the Customer provided such notification fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;

- B. A Competitive Supplier notifies the Company that it shall terminate Generation Service to a Customer. In this instance, Default Service shall be initiated for the Customer concurrent with the Customer's next scheduled meter read date, provided that the notice of termination of Generation Service is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the notice of termination is received fewer than two (2) days before the Customer's next scheduled meter read date, Default Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;
- C. A Competitive Supplier ceases to provide Generation Service to a Customer, without notification to the Company. In this instance, Default Service to the Customer shall be initiated immediately upon the cessation of Generation Service;
- D. A Customer taking Standard Offer Service has not chosen affirmatively a Competitive Supplier at the end of the term of Standard Offer Service.

7. Termination of Default Service

Default Service may be terminated by a Customer concurrent with the Customer's next scheduled meter read date provided that notice of initiation of Generation Service by a Competitive Supplier is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers.

If the notice of initiation of Generation Service by the Competitive Supplier is received by the Company fewer than two days before the Customer's next scheduled meter read date, Default Service shall be terminated concurrent with the Customer's subsequent scheduled meter read date.

There shall be no fee for terminating Default Service.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS (continued)

8. Reconciliation of Default Service Costs

At the end of each calendar year, the Company shall reconcile recoveries with the cost of Default Service pursuant to the Company's Default Service Adjustment - Schedule DSA, MDTE No. 101. Effective December 1, 2002, Default Service costs include:

1) Supplier Costs: The costs billed to FG&E by its Default Service provider s plus the cost of Renewable Energy Certificates purchased for Default Service in compliance with 225 CMR 14.00 – Renewable Energy Portfolio Standard. Renewable Energy Certificates are the title or claim for the generation attributes associated with a Renewable Generator that is compliant with the definition of a New Renewable Generation Source as found in 225 CMR 14.00 – Renewable Energy Portfolio Standard.

2) Cost of Working Capital, calculated as follows,

Cost of Working Capital = Working Capital Requirement * Tax Adjusted Cost of Capital,

where:

Working Capital Requirement = Supplier Costs * Number of Days Lag/365

Number of Days Lag is the number of days lag to calculate the purchased power working capital requirement as defined in the Company's most recent Lead Lag Study approved by the Department,

Tax Adjusted Cost of Capital = Cost of Debt + (Cost of Equity/(1-Effective Tax Rate))

where:

The Cost of Debt is the debt component of the rate of return as approved by the Department in the Company's most recent base rate case,

The Cost of Equity is the equity component of the rate of return as approved by the Department in the Company's most recent base rate case, and

The Effective Tax Rate is the combined effective state and federal income tax rate;

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
DEFAULT SERVICE
SCHEDULE DS (continued)

3) Bad Debt Costs, calculated as follows,

$$\text{Bad Debt Costs} = \text{Bad Debt Expense} * \text{Allocation Factor}$$

where:

Bad Debt Expense are test year bad debt expense as approved by the Department in the Company's most recent base rate case,

The Allocation Factor as approved by the Department in the Company's reconciliation filing. Such allocation factor shall be based on a percentage of actual account write-offs recorded and tracked for the DS billing components to total write-offs.

Tab B. Comparison of Bids

CONFIDENTIAL

Tab C. Renewable Energy Certificate Broker Sheets

evo.id home	evolution express	trades	graphs & charts	mk-2-mkt	tools & calculators	my account	resources	evolution markets home	log out
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Evolution Express

Registered User [FEEDBACK](#)

« April 2004 »

Mo	Tu	We	Th	Fr	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

GO TO

Please note that your Watcher contains 4 products that are expired. These are no longer being reported in Evolution Express tables and e-mail. To learn more, and to update your Watcher please follow this link.







Compliance RECs Market Prices on 04/20/04:

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☐ Colored rows highlight watched markets. [[click here to learn more](#)]







Texas RECs prices on 04/20/04

term	bid price (change)		offer price (change)		last price (change)		date	actions
2002	\$12.00	n/c	\$15.00	n/c				 
2003	\$12.00	n/c	\$13.00	n/c	\$12.50	n/c	4/14/04	 
2004	\$11.00	n/c	\$14.25	n/c				 







NEPOOL MA New Certificates prices on 04/20/04

term	bid price (change)		offer price (change)		last price (change)		date	actions
Q3'03	\$42.00	n/c	\$45.00	n/c	\$40.50	n/c	12/18/03	 
Q4'03	\$42.00	n/c	\$50.00	n/c	\$45.00	n/c	04/02/04	 
Q1'04	\$42.00	n/c	\$50.00	n/c	\$45.00	n/c	3/18/04	 
Q2'04	\$42.00	n/c	\$50.00	n/c	\$40.00	n/c	9/11/03	 
Q2'05	\$35.00	n/c	\$40.00	n/c				 

NEPOOL CT Class I prices on 04/20/04

term	bid price (change)		offer price (change)		last price (change)		date	actions
Cal'04	\$39.00	+1.00	\$45.00	+3.00	\$36.50	n/c	3/08/04	 
Cal'05	\$35.00	n/c	\$45.00	n/c	\$36.50	n/c	03/08/04	 
Cal'06	\$35.00	n/c	\$45.00	n/c	\$36.50	n/c	03/08/04	 

NEPOOL CT Class II prices on 04/20/04

term	bid price (change)		offer price (change)		last price (change)		date	actions
Cal'04	\$0.65	n/c	\$0.75	n/c	\$0.75	n/c		 
Cal'05	\$0.65	n/c	\$0.75	n/c	\$0.75	n/c		 
Cal'06	\$0.65	n/c	\$0.75	n/c	\$0.75	n/c		 

NJ Class I prices on 04/20/04



NATSOURCE

RE Trends Weekly

Week of April 19, 2004

US Compliance Markets (\$/MWh)

NEPOOL - Massachusetts RECs

Vintage	Bid	Ask	Last
2003	42.00	50.00	44.00
2004	43.00	48.00	45.00
2005	45.00	47.00	42.00
2006	37.00	46.00	39.00

NEPOOL - Connecticut Class I

Vintage	Bid	Ask	Last
2004	39.00	44.00	43.00
2005	33.00	41.00	42.50
2006	35.00	38.00	42.00
2004-06	35.00	42.00	36.50
2005-06	33.00	38.00	-

NEPOOL - Connecticut Class II

Vintage	Bid	Ask	Last
2004-06	0.00	0.75	0.65

PJM - New Jersey Class I*

Vintage	Bid	Ask	Last
2004	5.75	7.00	6.50
2005	6.00	8.00	6.50
2006	6.00	8.00	-
2004-06	5.50	-	-

PJM - New Jersey Solar RECs*

Vintage	Bid	Ask	Last
2004	-	200.00	180.00
2004-06	-	200.00	170.00

PJM - New Jersey Class II*

Vintage	Bid	Ask	Last
2004	4.00	4.75	4.50
2005	4.00	5.25	4.75
2006	4.00	5.50	-
2004-06	4.25	5.25	-

ERCOT - Texas RECs

Vintage	Bid	Ask	Last
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Natsource Renewable Energy Desk

T: (212) 232-5305 For further information, please call us:
F: (212) 232-5353 **Matt Williamson, George Tung or Mike**
Intrator would be happy to assist you.
www.natsource.com

Headlines

PJM - The NJ BPU has recently adopted Final Rule for the state RPS. The courtesy copies of the rules have been released last week and official copies can be found on the NJ Register.

PJM - GATS working group voted in favor of the final concept paper, as proposed on March 17, 2004. The recommendations were presented to the Electricity Markets Committee of PJM for consideration on April 15, 2004.

PJM - The Maryland RPS was passed through the State Legislature last week as the Senate passed SB 869. The Bill will now be passed on to the Governor's office for consideration.

PJM - Currently, there are several bills in the PA Legislature which propose the passage of a Renewable Portfolio Standard: HB 2250, SB 1030 and SB 962.

WECC - The California Energy Commission has recently released a Notice To Consider Adoption of Guidebook on Renewable Portfolio Standard Implementation. The CEC has invited the public to provide written comments on this proposed Guidebook as the CEC will consider its adoption at the April 21 Business Meeting.

*Market pricing based on jan-dec calendar year. Market conventions may change in the near future to conform to BPU market nomenclature as adopted in the final rules.

Power Estimates (Heavy Load)

Cal 2005	
Zone A	52.00
Zone B	52.00
Zone C	52.00
Zone D	52.00
Zone E	52.00
Zone F	52.00
Zone G	52.00
Zone H	52.00
Zone I	52.00
Zone J	52.00
Zone K	52.00
Zone L	52.00
Zone M	52.00
Zone N	52.00
Zone O	52.00
Zone P	52.00
Zone Q	52.00
Zone R	52.00
Zone S	52.00
Zone T	52.00
Zone U	52.00
Zone V	52.00
Zone W	52.00
Zone X	52.00
Zone Y	52.00
Zone Z	52.00

Voluntary REC Spot Markets

Region	Wind (New)		LFG (New)		Biomass		Hydro		NOx Allowances (USD/ton)		
	Bid	Ask	Bid	Ask	Bid	Ask	Bid	Ask	Vintage	Bid	Ask
NYISO	0.00	18.00	3.00	3.00	Please Call	-	3.25	3.00	2004	2600	3000
Midwest	-	3.00	-	1.75	3.00	Please Call	-	3.00	2005	2600	3000
WECC	0.25	4.00	0.00	2.00	0.25	0.75	0.25	3.00	2006	2600	3000
SERC	-	-	-	3.00	0.50	2.00	Please Call	-	SO2 Allowances (USD/ton)		
NEPOOL	-	-	-	-	-	-	0.75	2.00	2004	2600	3000

All REC prices are based on unit-contingent delivery unless otherwise noted. All prices are for indication purposes only. Please contact the Natsource Renewable Energy Desk for current market pricing.

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Tab D. Legislative Risk Provision

Attached:

Standard Offer Legal Event Provision
Revised Final Bid Form

Standard Offer Legal Event Provision

The Parties acknowledge and agree that under Massachusetts General Laws (“MGL”) as they exist on the date of this contract, and Unitil’s Default Service Tariff or Standard Offer Service Tariff (collectively, “Tariff”) provisions in accordance therewith, Standard Offer Service Customers are to be moved by Unitil to its Default Service on March 1, 2005 if such customers do not elect to receive service from a competitive supplier. If, subsequent to the date of this contract, the MGL or the Tariff is amended, superceded or otherwise altered through legislative, regulatory or judicial action, with the result that customers that are Standard Offer Service Customers on February 28, 2005 receive electric service during the period of March 1, 2005 through May 31, 2005 from: (i) a competitive supplier other than as a result of each customer’s own election; or (ii) Unitil on a tariff other than the Default Service Tariff (the occurrence of either (i) or (ii) constituting a “Legal Event”), Unitil shall pay Seller an amount equal to the Event Payment.

Upon the occurrence of a Legal Event, the Event Payment shall be calculated by the Seller as soon as practicable following February 28, 2005. The Event Payment calculation shall be based upon the difference between the monthly Contract Prices that Seller would have received for provision of Default Service supply under this Agreement pursuant to [cite Contract Price section] had such Legal Event not occurred and the Market Value of that supply at the time of the Event Payment calculation. For the purposes of calculating the Event Payment, the volume of Default Service supply affected by a Legal Event shall be as listed in Table 1, below, for each month impacted by the Legal Event. “Market Value” shall mean the market value as determined by quotes from three brokers that are not Affiliates of either Party and that are mutually acceptable to both Parties.

Table 1. Agreed Upon Volumes Subject to Legal Event	
Estimated volumes below represent 50% of Unitil’s Small Customer Group Standard Offer Service load, which is to be switched to Default Service March 1, 2005	
Contract Month	Estimated Volume (kWh)
Mar-05	5,515,787
Apr-05	5,078,317
May-05	4,269,999

Seller shall provide to Unitil a written statement showing in reasonable detail the calculation and a summary of the method used to determine Event Payment. Unitil may challenge the Event Payment or the calculation thereof within thirty (30) calendar days of receipt of such calculation. Seller shall provide additional documentation in support of its calculation upon the reasonable request of Unitil. If the Event Payment is a positive amount, Unitil shall pay the Event Payment, with its payment next due in accordance

with [cite billing section], less any amounts disputed in accordance with [cite invoice dispute section] of this Agreement. All disputes concerning the calculation of the Event Payment shall be resolved in accordance with [cite dispute resolution section]. If the Event Payment is a negative amount, neither Party shall have any liability to the other Party arising from or related to the Legal Event. The Event Payment shall not be subject to true up or reconciliation, including true up to actual quantities delivered to customers that were Standard Offer Service Customers on February 28, 2005, or actual market prices. The Parties agree that the payment and receipt of an Event Payment shall be the sole and exclusive remedy for any occurrence of a Legal Event under this contract.

RESPONDENT: _____

6. PROPOSED PRICING (Final)

Small Customer Group
(Rates RD-1, RD-2, GD-1)

Month	Percent of Load Asset 1737	Bid Prices (¢/kWh)
Jun-04	50%	
Jul-04	50%	
Aug-04	50%	
Sep-04	50%	
Oct-04	50%	
Nov-04	50%	
Dec-04	50%	
Jan-05	50%	
Feb-05	50%	

Mar-05	50%	
Apr-05	50%	
May-05	50%	

Large Customer Group
(Rates GD-2, GD-3, GD-4, GD-5, SD)

Month	Percent of Load Asset 1095	Bid Prices (¢/kWh)
Jun-04	100%	
Jul-04	100%	
Aug-04	100%	

*Large Customer Group for Jun-04 through Aug-04
to be awarded to a single bidder.*

*Small Customer Group for Jun-04 through Feb-05
to be awarded to a single bidder.*

Standard Offer Service becomes Default Service

*Small Customer Group for Mar-05 through May-05
to be awarded to a single bidder.*

Notes:

- The bids submitted here are subject to the terms of the Default Service Request for Proposals issued by FG&E on March 19, 2004.
- The kWh price should be in format of: "3.90" cents, "4.50" cents, etc.
- FG&E will not accept bids that contain time of use pricing, other forms of variable pricing, quantity restrictions, demand charges, or other fixed charges.
- Local distribution losses from the delivery point to customers' meters are included in the quantity of service and should not be priced separately.
- The pricing should not reflect the provision of Renewable Energy Credits (RECs) needed to comply with the Renewable Portfolio Standards (RPS) established in Massachusetts.
- (NEW) For the period Mar-05 through May-05 only, Respondents have been presented with contract language insulating them from any legislative or regulatory risk associated with the end of the Standard Offer period in Massachusetts on February 28, 2005. Accordingly, final pricing should not reflect any premium associated with such legislative or regulatory uncertainty. Please contact Rob Furino at (603) 773-6452 if there is any question about this.